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CIVIL AVIATIONAuth: DDA Memo, 4 Apr 77
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Italo-Yugoslav Interim Air Arrangement

Additional evidence that Yugoslavia's hostile attitude toward Italy has been moderated for political purposes is seen in Yugoslavia's permission for an Italian airline (SISA) to operate a provisional semi-weekly service to Belgrade via Trieste and Zagreb. The unexpected Yugoslav action was taken without raising the question of reciprocal rights for the operation of a Yugoslav airline into Italy.

This new conciliatory move on the part of Yugoslavia is apparently motivated by (1) their desire for air service to Trieste and the belief that an Italian airline would receive more cooperation than a Yugoslav airline from the provisional regime of the Free Territory of Trieste, and (2) their belief that it is now expedient to demonstrate a cooperative attitude toward Italy in view of the growing strength of the Italian Communist Party and the forthcoming Italian elections.

Probable Soviet Exploitation of Czechoslovakia Airline

The Communist coup in Czechoslovakia offers the USSR an opportunity to reorganize the Czechoslovak airline (CSA) as an instrument of Soviet penetration to the Western Hemisphere and the Near East. This will not be accomplished, however, without considerable difficulty, due to the need for the political reorientation of CSA and the anticipated reluctance of non-Communist countries to grant landing rights to a Soviet-dominated airline.

While the USSR has consistently maintained effective control of Satellite airlines, very little material assistance has been furnished, and Satellite airlines are still under-equipped with obsolescent, poorly maintained aircraft. For strategic reasons, the USSR has evidently desired to retain its aviation resources within the Soviet Union. Moreover, the USSR has probably felt that Satellite airlines lack the necessary experience for efficient international air operations.

Czechoslovakia, on the other hand, is a member of the International Civil Aviation Organization (ICAO) and has fully reciprocal standard air agreements with the US, UK, Eire, Sweden, Denmark, Turkey, and Transjordan. Interim air agreements are in effect with Switzerland, Egypt, and Iraq, and intra-satellite arrangements exist with Poland, Hungary, Yugoslavia, and Rumania.

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Difficulties that will be encountered by the USSR in making use of CSA include:

- (1) Political unreliability of present CSA personnel from the Soviet point of view. (Fear that flying crews might seek refuge in the West resulted in the grounding of all CSA aircraft immediately after the coup.) The replacement of crews by new personnel lacking experience in international long-range air operations will reduce the airline's capabilities for some time to come.
- (2) Acquisition of four-engined long-range aircraft to permit the opening of already planned international air routes. (The US has refused to sell such equipment to CSA, has blocked the sale of seven surplus DC-6's by Swedish airlines to CSA, and has also blocked the sale of three Constellations by the Dutch airline KLM, to Czechoslovakia.
- (3) Resistance of countries opposed to aerial penetration by Satellite airlines. (The Greek Government, for example, has postponed the signing of a bilateral air agreement with Czechoslovakia because of the recent Communist coup.)

As soon as the necessary reorganization measures are completed and reliable Communists are installed throughout the ranks of CSA, the USSR will probably favor its international expansion. While the USSR is in a position to provide CSA with Soviet-built four-engined transports (the IL-18, already in production, is a Soviet transport model of the US B-29, and capable of long-range operations with large pay loads), there are no indications that these aircraft will be made available. CSA efforts to acquire large transports elsewhere, therefore, are likely to continue. Increased resistance from non-Communist countries is almost certain to develop against the ambitious Czech plans for air expansion. It does not appear, however, that this expansion can be entirely prevented.

SURFACE TRANSPORTATION

1. The whole problem of shipping the large quantities of goods involved in the European Recovery Program may be discussed at the forthcoming meetings of the CEEC at Paris beginning March 15. Inadequacy of member-nation fleets to meet estimated requirements and inability to acquire surplus US vessels will probably force intensification of the European shipbuilding and repair program to the detriment of other phases of European recovery. (See ORE Weekly Summary, March 5.)

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2. Large-scale fast freight movements of fruits and vegetables may substantially contribute to European recovery. Enthusiastic reception in the Economic Commission for Europe of a US proposal for such a rail express service paves the way for self-help in priming the economy of impoverished agricultural areas and adding vitamin-rich foods to the inadequate diet of densely populated industrial areas.

3. Argentine purchase of British-owned railroads in Argentina enables the UK to salvage her capital from a profitless investment before having to make large additional expenditures for deferred maintenance and rehabilitation. It also assures the UK of continued meat and grain shipments from the Argentine without necessity of dollar payment, although at the cost of consuming her capital. Sale of the railroads has the further benefit for the UK of removing one source of friction between the two nations.

4. The recent promise of the Spanish Government to minimize delays in dollar payments to the American flag US-Lines by partial monthly payments for inbound freight cargoes signifies the importance of continued US Lines service to Spain rather than improvement in the critical Spanish exchange position.

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